



DEPARTMENT OF THE NAVY

NAVAL AIR SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS
WASHINGTON, DC 20361 -0001

IN REPLY REFER TO

NAVAIRINST 4200.5C
AIR-516B
12 Dec 91

NAVAIR INSTRUCTION 4200.5C

From: Commander, Naval Air Systems Command

Subj: POLICY AND PROCEDURES GOVERNING THE COMPONENT BREAKOUT
PROCESS

Ref: (a) DOD FAR Supplement 217.7202 Component Breakout (1988 Edition)
(b) ASSTSECNAV RD&A memo of 19 Mar 91, Component Breakout Review
(c) NAVAIRNOTE 5400 of 12 Sep 91, Delegation of Acquisition Authority for
NAVAIR Programs
(d) NAVAIRINST 4341.4, Government Furnished Equipment (GFE) Program
Management in the Naval Air Systems Command (NAVAIR)
(e) FAR Supplement No. 6, DoD Replenishment Parts Breakout Program,
25 Nov 88

Encl: (1) Procedures for Breakout of Contractor Furnished Equipment to Government
Furnished Equipment

1. Purpose. To establish policy and procedures, and assign responsibilities for the
Component Breakout Process (CBP) within the Naval Air Systems Command (NAVAIR)
per references (a) and (b), and in consonance with reference (c).

2. Cancellation. This instruction supersedes NAVAIR Instruction 4200.5B of 18 July
1985. Since this is a major revision, changes have not been indicated.

3. Scope. The provisions of this instruction apply to components, as defined by
reference (a), that have been included as contractor furnished equipment (CFE) in a
previous procurement of the end item that can be "broken out" from a forthcoming
procurement for direct government purchase and provided as government furnished
equipment (GFE) per reference (d). This instruction does not pertain to the initial
CFE or GFE decisions that must be made at the inception of a procurement program,
nor to the breakout of parts procured for replenishment under reference (e).

4. Policy

a. Fostering competition is a basic NAVAIR procurement policy. This policy
includes having an effective CBP, as established by reference (a), for those CFE
components which can be broken out and furnished to an end item contractor as GFE,
if

(1) substantial net cost savings will be achieved; and

(2) such action will not jeopardize the quality, reliability, performance, or
timely delivery of the end item.



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b. The breakout evaluation and decision process will follow procedures contained in enclosure (1).

5. Responsibilities

a. Naval Air Systems Command Headquarters

(1) The Assistant Commander for Systems and Engineering (AIR-05) is designated as the NAVAIR component breakout advocate. AIR-05 will exercise authority for the direction and management of the NAVAIR CBP and actively promote component breakout to ensure compliance with reference (a) and the intent of reference (b).

(2) The Director, Product Integrity and Production Engineering Division (AIR-516) is designated as the CBP Manager and will manage the CBP for NAVAIR. In addition, AIR-516 will communicate NAVAIR breakout policy to internal and external organizations when requesting breakout data, establish standard procedures for conducting breakout analyses, coordinate review with cognizant program managers for identification of breakout candidates, provide technical and related data required for the decision process, convene and chair breakout evaluation team component breakout actions to ensure timely conversion from CFE to GFE, maintain records, and provide reports for management review.

(3) The Deputy Commander for Acquisition and Operations (AIR-01) serves as chairman of the Acquisition Operations Council (AOC), the staff entity responsible for resolving inter-group workload issues involving breakout and resolves breakout related commonality issues. In accordance with reference (a), AIR-01 also exercises program executive acquisition authority for NAVAIR assigned programs and, as such, will formally approve or disapprove breakout decisions for programs assigned to NAVAIR.

(4) The AOC, chaired by AIR-01, will meet upon request of the specific program manager air/program executive officer (PMA/PEO) recommending the breakout decision to resolve any issues of acquisition accountability for the items proposed for breakout and resolve inter-group government personnel issues within the NAVAIR organization that would inhibit breakout.

(5) The Assistant Commander for Contracts (AIR-02) is the NAVAIR Competition Advocate and, as such, is responsible for reviewing component breakout studies for validity and reliability of reported information. AIR-02, with technical support from cognizant engineering code(s), will determine the buying activity (normally AIR-02) and establish schedules for breakout acquisition.

(6) The system/equipment program manager will

(a) approve all breakout candidates recommended by AIR-516 for formal study;

(b) upon submission of study results (including workload resolution) determine final breakout and fiscal year for implementation; and

(c) secure PEO or AIR-01 concurrence.

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(7) The Cost Analysis Division (AIR-524) will provide AIR-516 with current escalation rates and cost history/projections for component breakout candidates. AIR-524 will also review study results to ensure that cost information and contractor loadings are correctly applied.

b. PEO. The cognizant PEO will formally approve or disapprove breakout decisions for programs under his purview. If necessary, the PEO may use the AOC as a forum to resolve NAVAIR matrix issues that could impact breakout.

c. Direct Reporting Program Manager (DRPM). The DRPM will formally approve or disapprove breakout decisions for programs under his purview.

d. Breakout Evaluation Team. The team, consisting of representatives from program management, contracting, engineering, logistics, costing, and other functional elements as appropriate, is responsible for providing breakout recommendations (based on the breakout studies and other available information) and assisting with implementation of a breakout decision.

6. Action. The NAVAIR CBP Manager will, based on input from contracts, cost analysis and technical staff, identify potential breakout candidates for formal PMA study approval. Upon study completion, the CBP Manager will chair a breakout conference. Recommendations from the conference will be referred to the cognizant PMA for final approval and monitoring actions required to achieve successful breakout.

7. Reports. Report symbol NAVAIR 4200-2, Component Breakout Status Report, is assigned to the requirement of enclosure (1), paragraph 3c, and is approved for 3 years only from the date of this instruction.



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PROCEDURES FOR BREAKOUT OF CONTRACTOR FURNISHED EQUIPMENT TO
GOVERNMENT FURNISHED EQUIPMENT

1. CFE Breakout Evaluation Process (Candidate Selection, Study, Review, and Decision)

a. Candidate Selection. Candidate selection will be carried out through the steps identified in paragraphs 2(a) through (d) below. Candidates should have an estimated accumulated value of at least \$1 million per annual buy. Where appropriate, military assistance programs and foreign military sales, etc. will be included. Items of a smaller annual procurement value, where substantial savings can be realized, should be considered for breakout evaluation on a one-time basis. The candidate selection process will be carried out annually after the candidate's second production year, unless otherwise directed by the CBP Manager.

b. Component Categories. Weapon system components are classified in three categories with respect to a CFE or GFE decision:

(1) Category I consists of those components which are GFE. They will be listed in the Master Government Furnished Equipment List (MGFEL) and in Naval Air Systems Command (NAVAIR) contracts for other end items.

(2) Category II consists of those components which are candidates for conversion from CFE to GFE.

(3) Category III consists of those components which, based on study results, should remain CFE.

c. Study. The CBP Manager will conduct the component breakout study. This includes compiling and analyzing data collected on component breakout feasibility assessment questionnaires which address: (1) assessment of the potential risks of degrading the end items through such contingencies as delayed delivery and reduced reliability of the component; (2) calculation of estimated net cost savings (i.e., estimated purchase savings less any offsetting costs); and (3) analysis of the technical, operational, logistic, and administrative factors involved. The study findings and recommendations are then compiled into a comprehensive study book to facilitate review and decision. These books are distributed to AIR-02, Deputy Commander (AIR-03), Small Business Office (AIR-02E), and cognizant acquisition program and technical support staff managers.

d. Review. The CBP Manager convenes and chairs meetings of breakout evaluation team members to review breakout candidates study analyses and recommend a breakout decision. Team members will normally include program manager representatives, assistant program manager for systems and engineering, assistant program manager for logistics, contracting officer representative, and other technical staff as required. Workload issues will be addressed at this meeting and referred to the cognizant management organization for resolution prior to final breakout decision.

e. Decision. The PMA, on receipt of breakout evaluation team results (see 1d above), will formalize the breakout decision for all components studied and secure final PEO/AIR-01 concurrence.

f. Implementation. Following the decision to convert from CFE to GFE, the cognizant acquisition organization, in conjunction with the PMA will ensure procurement as GFE is accomplished following paragraphs 2m through 2p below.

2. Component Breakout Sequence of Events (for relative milestones see figure 1)

<u>RESPONSIBLE ACTIVITY</u>	<u>PROCEDURES</u>
a. AIR-516	Request priced CFE listings from AIR-02 to develop potential study candidates for breakout to GFE. Forward proposed candidates to cognizant PM's for approval to conduct formal breakout study.
b. PM	Review, modify, approve, or disapprove CFE candidate list and return with PEO concurrence to AIR-516 to initiate full, formal breakout study or conclude effort.
c. AIR-516	Plan and schedule breakout studies based on PMA decision to investigate the feasibility of breakout.
d. Cognizant Procurement Contracting Officer	Provide contractor breakout feasibility questionnaires to prime contractor via Defense Plant Representative (DPRO) offices; conduct meetings with DPRO and prime contractor where necessary for clarification.
e. AIR-516	Request escalation rates and other cost pricing data from AIR-524.
f. AIR-524	Provide latest Department of Defense escalation rates and related cost pricing data for systems undergoing formal study.
g. Cognizant System Prime Manufacturers	Complete breakout feasibility questionnaires and return to AIR-516.
h. AIR-516	Prepare breakout study: (1) Using cost data, current escalation rates, and government management costs develop component comparative cost estimates; provide to AIR-524 for concurrence.

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- (2) Compile breakout assessment data received from NAVAIR technical, logistics, cost analyst, and contracts personnel. Utilize prime contractor questionnaires and prepare component breakout study book. Forward study to designated codes.
- i. AIR-524

Review breakout study for pricing and cost analysis concurrence.
- j. AIR-516

Convene component breakout conference to discuss, study, and resolve issues prior to submittal to PMA with final breakout recommendation. Team members include technical, logistic, contract, and cost analysis representatives.

 - (1) Review study and other inputs.
 - (2) Prepare minutes documenting breakout recommendation to the PMA.
- k. PMA

Render final decision on breakout based on conference recommendation and other program issues.
- l. PEO/AIR-01

Formally concur in the PMA breakout decision.
- m. Component Acquisition Manager

Convene procurement planning conference to initiate breakout actions. Draft acquisition plan.
- n. Production Management Division (AIR-114)

Update MGFEL; CCB action required.
- o. AIR-114 or Cognizant Procurement Document Originator

Initiate procurement documents for broken out components.
- p. AIR-02 Buying Activity

 - (1) Acquisition Plan (AP).
 - (2) Commerce Business Daily synopsis.
 - (3) Justification and approval (J&A) for sole source requirements.
 - (4) Source Selection Plan (SSP), if competitive.

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(a) Prepare SSP for Procurement Review Board level requirements.

(b) Support AIR-524 in preparing SSP if formal source selection.

(5) PR received.

(6) Solicitation.

(7) Proposal evaluation.

(8) Pre-business clearance.

(9) Negotiations.

(10) Post-business clearance.

(11) Award.

3. Records, Subsequent Evaluation Data and Reports

a. Results. Results of formal breakout studies and subsequent PMA decisions will be issued quarterly via a status report (see 3c below). The report will also address the number of CFE candidates proposed for breakout study and the number of studies in progress or completed during the period.

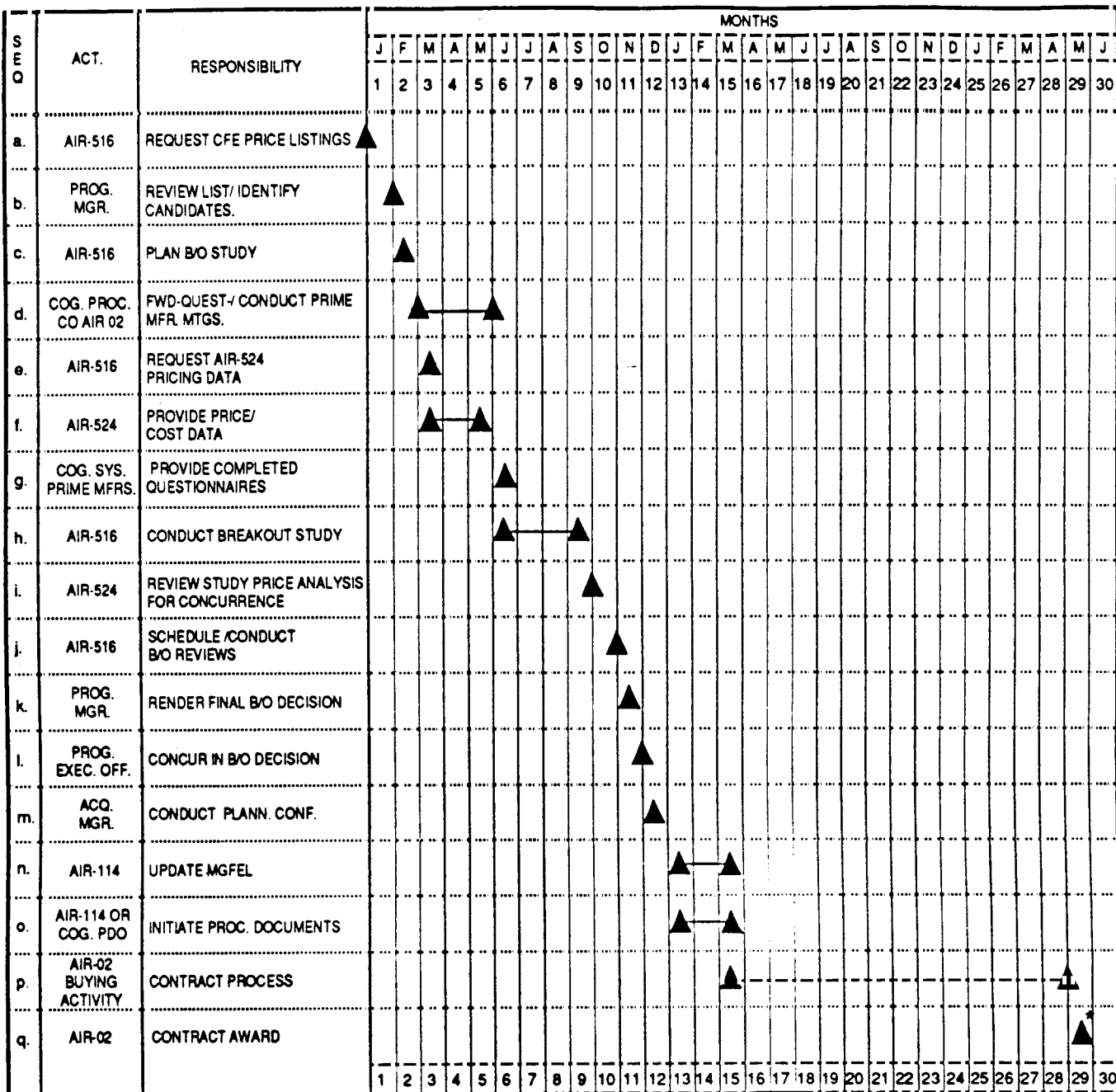
b. Subsequent Evaluation Data. The CBP Manager will monitor the acquisition process through procurement as GFE. Revisions to quantities, pricing, or other factors that could affect, modify, or defer a breakout decision will be incorporated in the quarterly status report. Once the component becomes GFE the contract negotiated price will become the basis for determining savings, through comparison of the last CFE cost escalated to the GFE contract year.

c. Reports

(1) AIR-516 will submit quarterly reports to the NAVAIR component breakout advocate, competition advocate, and AIR-02 on the status of the breakout effort on each major weapon system. This report will be submitted 3 weeks after each calendar year quarter.

(2) AIR-05 will provide periodic summary reports to the Commander, Naval Air Systems Command (AIR-00) on the progress of the CBP, with copies to AIR-01, the PEO's, and DRPM's.

COMPONENT BREAKOUT SEQUENCE OF EVENTS (MILESTONES)



★ Contract Award

Note: Milestones and months shown are for illustrative purposes. Milestones for specific components will vary on a case by case basis, but should not exceed times indicated.

Figure 1